



SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-73737; File No. SR-ICEEU-2014-18)

December 4, 2014

Self-Regulatory Organizations; ICE Clear Europe Limited; Order Approving Proposed Rule Change to Provide for the Clearance of Additional Sovereign Contracts

I. Introduction

On October 20, 2014, ICE Clear Europe Limited (“ICE Clear Europe”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-ICEEU-2014-19 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder.² The proposed rule change was published for comment in the Federal Register on November 4, 2014.³ The Commission did not receive comments on the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

ICE Clear Europe proposes to clear additional CDS contracts that are Western European sovereign CDS contracts referencing the Kingdom of Belgium and the Republic of Austria (the “Additional WE Sovereign Contracts”). ICE Clear Europe currently clears CDS contracts referencing four other Western European sovereigns: Ireland, the Republic of Italy, the Portuguese Republic and the Kingdom of Spain.⁴ ICE Clear Europe believes clearance of the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-73459 (Oct. 29, 2014), 79 FR 65443 (Nov. 4, 2014) (SR-ICEEU-2014-18).

⁴ See Exchange Act Release No. 34-71920 (Apr. 9, 2014) 79 FR 21331 (Apr. 15, 2015) (SR-ICEEU-2014-04); (order approving rule change to clear other Western European sovereign CDS contracts) (the “Prior WE Sovereigns Order”).

Additional WE Sovereign Contracts will benefit the markets for credit default swaps on Western European sovereigns by offering to market participants the benefits of clearing, including reduction in counterparty risk and safeguarding of margin assets pursuant to ICE Clear Europe's rules.

ICE Clear Europe represents that the Additional WE Sovereign Contracts will constitute "Non-STECC Single Name Contracts" for purposes of the CDS Procedures and accordingly will be governed by Paragraph 10 of the CDS Procedures, consistent with treatment of the Western European sovereign CDS contracts currently cleared by ICE Clear Europe. Moreover, ICE Clear Europe states that clearing of the Additional WE Sovereign Contracts will not require any changes to ICE Clear Europe's existing Clearing Rules and Procedures, risk management framework (including relevant policies) or margin model.⁵

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act⁶ directs the Commission to approve a proposed rule change of a self-regulatory organization if the Commission finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such self-regulatory organization. Section 17A(b)(3)(F) of the Act⁷ requires, among other things, that the rules of a clearing agency are designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative

⁵ For a description of previously approved changes to ICE Clear Europe's risk management framework to accommodate clearing of Western European sovereign CDS contracts, see the Prior WE Sovereigns Order. ICE Clear Europe represents that it has performed a variety of empirical analyses related to clearing of the Additional WE Sovereign Contracts under its margin methodology, including back tests and stress tests.

⁶ 15 U.S.C. 78s(b)(2)(C).

⁷ 15 U.S.C. 78q-1(b)(3)(F).

agreements, contracts, and transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and, in general, to protect investors and the public interest.

The Commission finds that clearing of the proposed Additional WE Sovereign Contracts is consistent with the requirements of Section 17A of the Act⁸ and regulations thereunder applicable to it, including the standards under Rule 17Ad-22.⁹ Specifically, the Commission believes that the proposal to clear the Additional WE Sovereign Contracts in the same manner as other Western European sovereign CDS contracts, consistent with ICE Clear Europe's existing clearing arrangements and related financial safeguards, protections, risk management policies and procedures and margin methodology, is designed to promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.¹⁰

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act¹¹ and the rules and regulations thereunder.

⁸ 15 U.S.C. 78q-1.

⁹ 17 CFR 240.17Ad-22.

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

¹¹ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹² that the proposed rule change (SR-ICEEU-2014-18) be, and hereby is, approved.¹³

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Kevin M. O'Neill,
Deputy Secretary.

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¹² 15 U.S.C. 78s(b)(2).

¹³ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

¹⁴ 17 CFR 200.30-3(a)(12).